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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MARCH 7, 2001

APPLICATION OF

WASHINGTON GAS LIGHT COMPANY

CASE NO. PUE000474

For approval of a plan for
implementing retail supply
choice

ORDER GRANTING APPLICATION

On September 11, 2000, Washington Gas Light Company ("WGL" or "Company") applied for approval of a proposed plan for implementing retail supply choice pursuant to § 56-235.8 of the Code of Virginia. WGL states that it seeks to provide natural gas retail supply choice to all of its customers in Virginia, including those served by its Shenandoah Gas Division, over a two-year period.

On October 24, 2000, the Commission entered an Order for Notice, Comment or Request for Hearing wherein we directed the Company to give notice of its application, and provide the public an opportunity to file, on or before December 13, 2000, comments and requests for hearing on the proposed plan. On January 10, 2001, the Commission issued an Amending Order extending the period for consideration of the Company's application to March 9, 2001, as permitted by the statute.

In response to the notice of the application, comments were filed with the Clerk of the Commission by Roanoke Gas Company

("Roanoke Gas") and by the Division of Consumer Counsel, Office of the Attorney General ("Consumer Counsel"). Roanoke Gas provided no specific comments relative to this plan, but requested that it be given the authority to offer comments on issues affecting other natural gas distribution companies as they may arise during the course of this proceeding.

Consumer Counsel addressed several issues relating to the proposed plan. Specifically, Consumer Counsel expressed concern about two components of the proposed gas supply realignment adjustment ("GSRA"): (1) that by assessing the GSRA to all firm service customers, non-participating customers will be adversely affected; and (2) the methodology for calculating the GSRA is unclear and should be defined so that stranded costs arising from pipeline capacity are determined not as the average cost of all pipeline capacity providers, but rather on a pipeline by pipeline basis.

On December 15, 2000, Staff filed its Report in this matter. In its Report, the Staff commented on several components of the Company's plan. The specific items addressed by Staff were: (1) implementation schedule -- the phase-in of Shenandoah division customers, and the implementation of the GSRA; (2) refund element of the GSRA; (3) supplier fees and charges -- equalization charge, balancing charges and balancing penalties; (4) codes of conduct; and (5) general tariff provisions.

Implementation schedule: Staff recommends that either all of WGL's Shenandoah Division residential customers be eligible for participation in retail choice beginning April 1, 2001, or that WGL shift the phase-in of the remaining one-half of Shenandoah Division's residential customers concurrent with WGL's second group of residential customers on January 1, 2002. Staff observed that permitting all of Shenandoah's customers to participate in retail choice effective April 1, 2001, would eliminate the need to determine the eligibility of any residential customers during the enrollment process.

Refund element of the GSRA: Staff recommends that during the first year of operation under the retail choice plan, the Company track supplier refunds associated with pipeline capacity contracts and propose a methodology for allocating such refunds to both their full service customers and to those participating in the retail choice program.

Supplier fees and charges (equalization charge, balancing charge and balancing penalties): Staff recommends that the Company clarify the language of proposed Rate Schedule No. 9 to specify both the basis for, and derivation of, the proposed equalization charge for both Washington Gas and the Shenandoah Division. Next, Staff recommends that the Company provide for monthly reconciliation of the imbalance account in the balancing charge provision of the proposed Rate Schedule 9. Finally, Staff recommends that the Company impose the same penalties for

Rate Schedule No. 9 as are imposed by Rate Schedule No. 7.

Staff observed that the proposed penalties in Rate Schedule No. 9 exceed those penalties currently imposed on interruptible customers receiving service under Rate Schedule No. 7.

Codes of conduct: Staff recommends that if the Interim Rules Governing Electric and Natural Gas Retail Access Pilot Programs should be revised in the future for application to permanent retail supply choice programs, the Company should modify its tariffs to comply with such revisions.

General tariff provisions: Staff recommends that the current two-page retail rate summary be expanded to include retail rates billed for Schedules 1A, 2A, and 3A and to incorporate the proposed GSRA factor for each firm service class.

Staff further recommends that WGL clarify language in the availability section of Schedules 1A, 2A, and 3A to make plain what circumstances would render a customer ineligible for Delivery Service solely as a result of a changed location when retail supply is being implemented on a system-wide basis. In addition, if there are other conditions that would render the customer ineligible, those conditions should be cited in this section.

Staff recommends that WGL distribute lists of eligible customers to interested suppliers in a "zip plus four" format.

Staff recommends that WGL establish a uniform penalty in all cases where a supplier is unable to provide adequate proof of enrollment, regardless of the means of enrollment (either via telephone or internet).

Staff recommends that the Company delete several requirements in Rate Schedule No. 9 pertaining to supplier's responsibility to cooperate with the customer. Staff observed that these provisions are duplicative of requirements already contained in the licensure provisions of the Interim Rules, 20 VAC 5-311-50.

Finally, Staff recommends that the reference to a 48-hour grace period for delivering the DRV stated in the "responsibility for Gas Delivery" section of Rate Schedule No. 9 should be deleted.

Overall, Staff found that the proposed plan, as modified by Staff, should not adversely affect the quality, safety or reliability of the natural gas service provided by WGL, nor should it affect the provision of adequate service to the utility's customers. Furthermore, the Staff found that the proposed phase-in could be accomplished over a 12-month period without impact on the Company's operations.

On February 9, 2001, WGL filed comments on the Staff Report and on Consumer Counsel's comments. The filing contained three sets of proposed revised tariff pages for WGL as follows:

(1) proposed revised tariff pages to implement a Gas Supply

Realignment Adjustment ("GSRA") provision to recover certain "nonmitigable costs associated with the provision of retail supply choice," effective September 28, 2000; (2) proposed revised tariff pages to begin the phase-in of retail supply choice on a permanent basis for all customers of WGL, effective January 1, 2001;¹ and (3) proposed revised tariff pages to implement daily balancing on the WGL system, effective April 1, 2001. The Shenandoah Division, which does not have an on-going retail access pilot program, proposed to begin the phase-in of retail supply choice on a permanent basis for all customers effective April 1, 2001.² At the same time, the Shenandoah Division proposed to implement a GSRA and daily balancing.

The Company has agreed to the majority of the Staff comments about its proposed plan and has revised its plan in response to Staff's specific recommendations. The only exception to Staff's recommendations made by the Company occurs in the recommendation that the Company apply the same penalties in Rate Schedule No. 9 and Schedule No. 7. The Company

¹ Under the schedule proposed by WGL for phase-in of the retail choice plan, one-half of residential customers and all commercial and industrial and group metered apartment customers would be eligible to participate in the retail choice plan effective January 1, 2001, with the remaining one-half of the Company's residential customers eligible to participate effective January 1, 2002.

² Under the schedule proposed by the Shenandoah Division for phase-in of the retail choice plan, one-half of residential customers and all commercial and industrial and group metered apartment customers would be eligible to participate in the retail choice plan, effective April 1, 2001, with the remaining one-half of the Company's residential customers eligible to participate effective April 1, 2002.

maintains that its exposure is not the same under the two schedules and that Schedule 7 failures relate to one customer, while Schedule 9 relates to a marketer's entire customer base.

The Commission agrees with the Company's rationale for applying different penalties to Rate Schedule Nos. 7 and 9. There does exist a greater potential for harm to the Company's operations due to supplier/customer noncompliance. The Commission will continue to monitor this situation.

WGL has agreed to the Consumer Counsel's recommendation to establish a limit on the GSRA surcharge applicable to residential firm sales customers of the Company and the Shenandoah Division similar to the "cap" utilized for its residential customers in Maryland. The Company has provided proposed revised tariff pages of WGL and the Shenandoah Division reflecting this charge.

NOW THE COMMISSION, upon consideration of the application and comments thereto, the Staff Report and the comments thereto, and the applicable law, is of the opinion and finds that WGL's request for approval of a proposed plan for implementing retail supply choice, revised to incorporate Staff's recommendations except those pertaining to penalties for failure to deliver, is reasonable and should be granted. We therefore will approve the amended retail choice plan proposed by WGL and the Shenandoah Division, as reflected in the proposed revised tariff pages

included in Attachments 1 and 2 to WGL's Motion to File Response.

Accordingly, IT IS ORDERED THAT:

(1) The Company's application for approval of a proposed plan for implementing natural gas retail supply choice to all of its customers in Virginia, including those served by its Shenandoah Gas Division, over a two-year period, is approved, conditioned upon the requirements set forth above.

(2) There being nothing further to be done herein, this matter shall be dismissed from the Commission's docket of active proceedings.